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Deposited in DRO:

10 April 2015

Version of attached file:

Accepted Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Brooks, Thom (2015) 'The stakeholder society and the politics of hope.', *Renewal*, 23 (1-2). pp. 44-54.

Further information on publisher's website:

<http://www.renewal.org.uk/>

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THE STAKEHOLDER SOCIETY AND THE POLITICS OF HOPE

Thom Brooks

The opportunity for change

A lively debate has erupted since the start of the financial crisis about the future of centre-left politics in Britain. The initial problem may be economic in nature, but the best response requires serious thought about which choices are most preferable under difficult economic conditions. It is important to consider future funding priorities and how these decisions cohere with a compelling narrative of our shared political future. Challenging conditions present opportunities for re-examination about how to make the best of current circumstances and the vision of political society we want to achieve.

This message is not lost on those struggling to ensure a conservative British future. Witness the rise of so-called 'compassionate conservatism'. This approach does not explicitly endorse cuts as a welcome opportunity to achieve the ideologically-driven goal of a smaller state. Instead, compassionate conservatives claim they offer not ideological purity, but a just vision for the political future. The problems were then not the provision of education or health care, but the providers of these services. Compassionate conservatives peddled the fantasy that the state could only render services inefficient if not counterproductive compared with a rose-tinted blanket endorsement for the private sector and an underfunded, hamstrung 'Big Society'.

One response is to show this discredited political vision for what it is and expose its many flaws. This is surely one crucial part in rejecting such attempts by conservatives to undermine the Britain that recent Labour Party governments have helped build and allow to flourish.

But a more fundamental response is to offer a more compelling, positive vision of the political future that can win hearts and minds. We must provide voters with a new of what we are for and not only what we are against.

Blue Labour and the politics of confusion

One possible alternative has been the 'Blue Labour' movement championed by Lord Glasman. This has been a drive to recapture certain 'conservative' values for Labour, such as 'family, faith and the flag' (Sandbrook 2011). The argument is that the Labour Party is committed to solidarity and social justice. These commitments are not only political, but personal. Labour has long supported the ties that unite people together across the state, in the workforce and in the home. The concern is that Labour may have forgotten the fullness of these roots. It was said that 'New' Labour too quickly embraced neo-liberal economics and turned a blind eye to the costs of globalization. New Labour may have got right the need for reinvention: no political vision can resist all change if it is to continue to capture broad appeal in the long term. But this was a reinvention too far. Labour is about bringing people together in the local community, the country and supporting international solidarity.

Blue Labour has begun to bear fruit. For example, the appeal to solidarity across the country easily lends support to Ed Miliband's vision of a 'One Nation' Britain. This is one of many policy areas where Labour's vision runs close to traditionally Tory perspectives. Similarly, the appeal to solidarity in the local community may have some overlap with David Cameron's floundering 'Big Society' vision. Both Labour and Conservatives support the creation of social capital. Their difference is that Conservatives expect – and, indeed, demand – that social capital will grow naturally to fill the spaces left behind by a retreating state. Labour accepts the need for providing support for social capital creation. Solidarity and social trust does not grow on trees. Nor can it develop overnight. It requires support both financial and otherwise over time not unlike many other valuable goods.

Blue Labour has identified correctly that there are issues that should not be conceded to our political opponents. Conservatives are not the only ones keen to promote healthy family relationships – and we have important differences in how we understand their

promotion and we have a fundamentally different view of the family itself by embracing same-sex families, too.

But Labour can do even better. Our alternative cannot be based on the platform that 'we share those values also'. Where Blue Labour has broken from New Labour and Conservatives alike in its critique of neo-liberal economics, this has not developed into a sufficiently robust vision of political economy and nor, more importantly, a compelling narrative of the political future. The danger is that such a vision captures the right values, but not in the best way.

This is because voters already suffer from some degree of apathy and political disengagement: to become more 'blue' is to engender greater electoral confusion than does us favours. In fact, the promotion of 'Blue' Labour may risk highlighting the strengths of our opponents in our attempt to reclaim them for ourselves. This may be a worthy long term strategy, but it is one we can scarcely afford with another general election looming.

Remembering the stakeholder economy

Labour requires a compelling political vision that captures its values in a distinctive way. The challenge is to build on Blue Labour's success without falling victim to its shortcomings. The answer is in defending the Stakeholder Society.

The idea has its roots in New Labour and goes much further. Tony Blair was an early exponent of the idea of a stakeholder economy and indebted to the writings of Will Hutton (Hutton 1994, Hutton 1999). The focus was on the development of economic justice. Stakeholder theory arises within the context of business ethics. The argument is that the promotion of stakeholding helps guarantee accountability and transparency. A business is not a mere machine for profit creation. If corporate partners are understood as stakeholders, then they are not potential fodder to feed the wealth creation industry for the sake of creating more. Instead, they become partners in a shared project working with others actively promoting some shared conception of the good. The stakeholder economy offered a centre-left idea about economic justice might be forged (White 2011, 142-43).

The idea of the stakeholder economy took root because it was profitable both figuratively and literally. Stakeholding help to identify effective structures for corporate management over the long term that promoted efficiency with accountability and solidarity with responsibility. This model of economic justice was offered as a vision for achieving wider economic goals: the stakeholder economy is a sphere where the importance of the individual citizen is reaffirmed. Economics cannot be about bigger profits alone; all citizens have a stake in the nation's economic health and this has consequences for how economic policies are determined. Crucially, social justice is embedded in how these policies are conceived.

Whither stakeholding?

Stakeholding was a key concept for the envisioning New Labour's commitment to social justice. Alastair Campbell describes Blair's speech on stakeholding as one of his most important which would 'make a real impact' (Gould 2011, 249). Philip Gould claims stakeholding gave New Labour its 'defining idea' for building 'a fair and strong society' where 'New Labour had moved decisively towards becoming a coherent political project' (2011, 250). In this Journal, Andrew Gamble and Gavin Kelly found 'the stakeholder economy' to be Labour's 'big idea ... whose time has come' (1996).

This time was unfortunately all too brief and this promising concept was abandoned not long after it had become embraced. There were two general problems. The first was stakeholding became difficult to put into practice. Gamble and Kelly list several of the main concerns: who are the stakeholders? How many stakeholders? Do stakeholders have the power or is it to be shared with others? Who benefits? Stakeholding offered a model of economic justice, but it was unclear how it could transform the economy in Britain. For example, German social democratic models of corporate governance might have been an inspiration for the idea of a stakeholder economy, but importing such a model to the UK would require substantive and difficult reforms that would prove an obstacle to realization.

Nor was it clear that stakeholding would benefit anyone but competitors who would be less fettered and so more flexible to compete internationally.

These issues became too troublesome for Blair and contributed to shelving stakeholding as a central, guiding idea for policy reform. Gavyn Davies argued at the time that the main concern lay with how Labour 'puts meat on the bones of the stakeholder idea' (Davies, 1996). Would a commitment to stakeholding push Labour to change the statutory rights of shareholders or require workers to sit on company boards? How far should the rhetoric of stakeholding fit the reality? These are important questions to answer. While Labour had begun to develop a convincing case for why stakeholding *should* inform public policy, the party lacked a compelling explanation for how stakeholding *could* serve this goal.

A second general problem for stakeholding is that it was conceived too narrowly as economy-centric. Stakeholding might promote transparency, accountability and an incentive for greater participation in decision-making as found in stakeholder corporate governance. As originally conceived, stakeholding offered a model for economic justice which could, in turn, contribute to supporting a broader centre-left agenda. But why limit the benefits of stakeholding to the economy alone? Stakeholding is a big idea and too large to be restricted to a single domain.

One Nation stakeholding

The idea of stakeholding should be recaptured learning from the lessons of the past. Before turning to how this might be achieved, it is important to clarify that a return to the idea of stakeholding need not entail a return to New Labour. This is because stakeholding is an idea rooted in the One Nation politics that has come to define Labour under Ed Miliband's leadership. Gamble and Kelly's support for a stakeholder economy in 1996 was, in part, due to its signalling an attractive model for 'one nation socialism' (1996). Gould says of Blair's stakeholding speech of that year: 'We had become the one-nation party: a party anchored in the centre, a modernising party determined to rejuvenate Britain, determined to fuse efficiency with community' (Gould 2011, 250).

Labour's One Nation politics is a commitment to many of the ideals found in stakeholding: responsibility, accountability and economic justice for all. It is a vision of people experiencing greater solidarity through improved participation and voice in public affairs. To promote One Nation politics is to support stakeholding. Stakeholding also shares many common values with Blue Labour. Stuart White argues that while 'it would be misleading to see Glasman's ... ideas as merely a return to Hutton's', there remains 'a strong relational emphasis' on a revival of popular participation in economic life (2011: 148).

'The language of stakeholding may have withered', Gould says, 'but the new approach underpinning it has prospered' and this continues today (2011, 250). A return to the idea of stakeholding is neither a U-turn nor a new direction, but a realignment with a core Labour pledge to accountable transparency and a One Nation politics. But for it to be successful it must learn from past mistakes and adapt better to current challenges.

Implications for criminal justice

Criminal justice provides an excellent illustration of how stakeholding can inform and improve practice. Crime is an issue that ranks high in public importance. It has also been a difficult issue to navigate as the public has serious misperceptions about dropping crime rates and the ineffectiveness of imprisonment at driving improvements to reducing reoffending. Clearly, efforts aimed at increasing transparency have not yielded any substantial change in public attitudes concerning crime. Recent years have seen the launch of offender notification schemes and the police.uk website detailing offences with outcomes by post code and street. If anything, the greater availability about information regarding local criminal activity may even heighten public anxiety about crime. Increased transparency has added fuel to the oxygen of false beliefs.

Challenges for incorporating stakeholding into criminal justice include the concern that giving the public a greater voice might lead to more punitive punishments which would increase problems for an effective criminal justice policy. For example, victims may be able

to submit statements about the impact of a crime on their lives, but they are unable to comment on their preferences for an offender's punishment. How can those with a stake in criminal matters have a say without it becoming counterproductive?

Restorative justice holds real promise as a policy that can promote stakeholding while effectively tackling reoffending. Restorative justice covers a diverse set of practices that are an alternative to the standard practice of the trial (Johnstone and Van Ness 2007). The trial is governed by formal procedures meant to guarantee safeguards for victims, offenders and the public, but where victims and many witnesses in particular have become dissatisfied. Restorative justice is a model that is informal and seeks to empower stakeholders without sacrificing safeguards. Offenders must agree to participate in a restorative justice meeting where they accept guilt and apologise to victims. If they contest their guilt or refuse to offer an apology, then restorative justice is not an option. It is worth noting that about 95% of criminal cases in England and Wales are settled without trial. One implication is that the overwhelming majority of offenders on trial already admit guilt – often done to secure significant reductions in their sentencing – and so the requirement that offenders admit guilt prior to a restorative justice meeting is not as large a problem for offenders as it might appear.

Restorative justice meetings can take several forms, such as victim-offender mediation or a restorative justice conference. Mediation involves the victim, offender and a trained facilitator. Conferencing includes these three plus support networks (such as family) and members from the local community. A trained facilitator manages an informal, constructive dialogue aimed at fostering awareness and reconciliation. Offenders hear how their crimes have impacted upon others and victims gain closure from receiving direct apologies.

Restorative justice is about stakeholder justice in practice (Brooks 2013a). The defining feature for all participants is that they are stakeholders. Victims, offenders, their family or friends, and community representatives have stakes in these outcomes and each has their say on their experience of a crime and contributes to determining how it should be punished. These discussions operate within guidelines to provide some guarantee for broad similarities across like cases, but each outcome is tailored to the needs of the specific offender.

And restorative justice works. Recent findings show that both victims and offenders report higher satisfaction rates after restorative justice than alternatives. Restorative justice can lead to reductions in reoffending by up to 25% and at considerable savings: one study found that restorative justice saved £9 for every £1 spent (Restorative Justice Council 2011).

Restorative justice offers an illuminating example of stakeholder justice in practice. Restorative justice does not endure the same problems about who should participate and it is open to all who choose to make a contribution. The public has a stake in criminal justice and so it should have a say, but restorative justice can help sidestep concerns about greater punitive punishment and mob rule by providing a context of constructive dialogue aiming at a restoration of an offender to law-abiding society and by providing a forum for participants to become better informed.

It is unsurprising to find broad cross-party support for the use of restorative justice. The idea of stakeholding helps us clarify our endorsement on grounds of *justice*. Restorative justice may be a less expensive approach to reducing reoffending, but its justice is found in the higher satisfaction rates of participating stakeholders and the greater protection of rights enjoyed by all through reducing reoffending. Stakeholder justice is not only about a transparent and accountable firm, but also criminal justice and stakeholding allows us to reaffirm our support as a matter of principle and effective policy.

Stakeholder citizenship

Stakeholder justice has implications for a more engaged citizenship. Standard models for promoting active participation are grounded in claims about its intrinsic value. Active citizenship should be reality and not only an ideal. The steady decline of social capital has likewise been heralded as cause for alarm (Putnam 2000). This is not to deny the many

benefits that may flow from an active citizenry, such as the forming of positive support networks and sense of social responsibility.

But motivating active citizenship faces serious obstacles. The Government's commitment to the 'Big Society' has been widely criticised for what it was about and not what it was. The Big Society is a plan for greater public participation in volunteering to help counter the reductions in public funding for many social services as a kind of 'sticking plaster' over public wounds (Cox 2010). Criticisms focused on this effort to inspire a passion for active citizenship not for its own intrinsic value, but to further the Conservative Party's ideological programme to reduce the presence of the state. But we should not reject the Big Society *in toto* as progressives should broadly embrace the creation of social capital. Nevertheless, the Big Society has endured at least four relaunches with little to show for it. Active citizens are easier conceived than created.

Stakeholding can help us understand how best to promote citizenship and from a standpoint of justice. The lesson can be first found in the writings of the great nineteenth century philosopher G. W. F. Hegel. In his *Philosophy of Right*, he identifies 'the rabble' as the greatest problem for maintaining a stable polity (Hegel 1991, see Brooks 2013b). The rabble poses a threat because they fail to view themselves as part of the polity. The state and its institutions exist as an other without relevance for their lives. Hegel argues that the rabble is a product of capitalism, as they are often individuals possessing the least wealth. However, the lack of material wealth does not necessarily lead to a rabble: Hegel is clear that the wealthiest can also form a rabble. Thus, persons on both ends of the socio-economic spectrum are at risk of social and political alienation which can threaten wider stability for all.

The lesson drawn from Hegel's discussion of the rabble is the problem of alienation and disengagement should focus on changing hearts and minds. The idea of a stakeholder society is the position that where individuals have a stake they should have a say. If people fail to see themselves as having a stake, then this is a major concern not merely because they might be less likely to vote or volunteer, but rather because failing to understand oneself as a stakeholder can contribute to much larger problems, such as greater likelihood of criminal offending (Brooks 2012, 211-16).

Stakeholding can also help provide a coherent account of risk factors for offending. Efforts aimed at crime reduction focus on identifying risk factors for selective targeting. The idea is that their removal will reduce future reoffending. For example, some common risk factors include drug and alcohol abuse, unemployment, financial insecurity, housing insecurity, negative support networks and mental health problems (Brooks 2012, 54). Some factors have a connection with others: unemployment can contribute to financial insecurity and housing insecurity. While it is true that rehabilitative efforts designed to combat individual risk factors has led to positive results, these efforts have approached risk factors in a piecemeal fashion more generally. So we focus on one or other risk factors as risk factors for future offending independently of some broader framework.

Stakeholding helps us provide such a framework. Not every person with drug and alcohol abuse or other risk factors will engage in criminal activities. Reducing risk factors can play an important role, but it is crucial to recognise this must be part of a broader strategy. Tackling risk factors should aim at the promotion of stakeholding: if persons at risk of offending are more likely to see themselves as having a stake in society, then they will be less interested to act contrary to it.

Stakeholding is also not top-down. Government can improve the kinds of opportunities available for stakeholding to flourish, but it cannot impose stakeholding: this is because stakeholding is about individual attitudes which are more difficult for Government to shape. One implication is that we each have a role to play in creating and maintaining a society worth having a stake in – and we clearly have more work to undertake towards this more longer term end. A second implication is that tough sounding rhetoric on crime and other issues may boost electoral fortunes in the short-term, but fail to substantively address problems at their core.

Stakeholding can provide the coherent, supportive framework we require. It must reimagine itself beyond its earlier construction as a 'stakeholder economy' to a 'stakeholder society'. This will help ensure the public goods that flow from stakeholding can take root more widely. Stakeholding must also demonstrate how it can inform and improve policy. One example is found in the use of restorative justice in criminal justice. Another example is seen in providing a coherent framework for addressing risk factors for reoffending. If those who have a stake should have a say, then this does not mean all must speak at once or that everyone is forced to do so. Stakeholding is about individual choice based in a view about justice.

Towards a stakeholder society

Stakeholding is not relevant to economic policy alone. In fact, it speaks to a deep rooted fundamental principle of political solidarity that resonates profoundly with Labour's historical record and embedded in One Nation politics. Labour must 'reclaim from conservatives the right to define what makes markets free and fair'; the idea of a stakeholder society can be central to this goal (Woodcock, 2011, 80).

Stakeholding is a view about society where those who have a stake should have say. This is no less true over the economy than it is in other spheres of political justice and it reaffirms the value of the individual. At a time where people have felt alienated, defending stakeholding helps illuminate the problems and their solutions. Only the idea of the stakeholder society reveals why voter alienation and political disengagement is a major problem. The public are stakeholders: it is essential that our political future is a place where they believe have a stake.

Stakeholding is a politics of hope rather than a politics of fear; it unites rather than divides. If we fail to work toward a future that all can and should believe they have a stake, then why engage with politics in the first place? We sow the seeds of further distrust and alienation in failing to create a vision for a stakeholder society for all.

Stakeholding can inform our public policy and for the better. Consider the example of criminal justice. Research about sentencing policy has shown any number of positive effects in moving towards greater use of restorative justice. Studies have shown that it promotes greater crime reduction and higher user satisfaction at much reduced costs (see Brooks 2012). The coalition parties and Labour have signalled increasing support for restorative justice. But why?

The coalition government is committed to reducing costs wherever it can in its project of dismantling the state. The motivation to support restorative justice is not about justice, but about reducing costs alone. Labour can support restorative justice on more principled grounds. We can claim that our support is built upon the promotion of stakeholding. Restorative justice is a policy worthy of support not because it is cheaper than alternatives, but because it secures greater justice – and its cost effectiveness an added bonus. Restorative processes involve relevant stakeholders including victims, offenders and support networks to enter into constructive dialogue to work together towards agreeing outcomes.

Taking stakeholding seriously has benefits like these. Labour can adopt this message of principled justice that possesses strong intuitive attraction. Stakeholding is a language that Labour speaks and not other parties. It is also part of a vision that captures the idea of 'One Nation' and economic justice that Labour seeks to promote for the future.

Labour must communicate a clear vision for a distinctive and compelling political future that keeps us true to our roots. The stakeholder society is this vision built on the principled view that those who have a stake should have say. It is time that Labour abandoned the confusing messages communicated by its flirtation with Blue Labour and instead embraces the Stakeholder Society as the next general election approaches.

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